

Message Text

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ACTION STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 /124 W
-----015229 301919Z /53

P R 262214Z MAY 78
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC PRIORITY 411
INFO USMISSION GENEVA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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C O R R E C T E D C O P Y (TEXT)

PASS STR ELECTRONICALLY

E.O.11652: N/A
TAGS: ETRD, MTN
SUBJ: MTN CONSULTATIONS WITH CACM

1. SUMMARY: CONSULTATIONS WITH SIECA AND CACM MEMBER STATES
PROCEEDED SMOOTHLY AND SOME PROGRESS WAS MADE TOWARD DISABUSING
CENTRAL AMERICAN COUNTIRES OF THE NOTION THAT CONTRIBUTION TO
MTN COULD WAIT UNTIL THE END OF THE DAY. END SUMMARY

2. AFTER TWO DAYS OF ITEM-BY-ITEM REVIEW OF US OFFER BY
KNEPPER AND SIECA OFFICIALS, FORMAL CONSULTATION SESSION
BEGAN AFTERNOON OF MAY 24. US DELEGATION, LED BY ASSISTANT
STR LANDE INCLUDED PATRICIA HAIGH FROM EMBASSY MANAGUA;
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JAMES BELL, EMBASSY SALVADOR; ROBERT SHULER AND ADOLPH
EISNER (AID/ROCAP), EMBASSY GUATEMALA. ALL CACM MEMBER
STATES WERE REPRESENTED BY TRADE POLICY EXPERTS FROM CAPITALS.
JAIME FERNANDES, VICE-MINISTER OF NICARAGUA'S MINISTRY OF
INDUSTRY AND COMMERCE WAS ELECTED AS CHAIRMAN FOR THE SESSION.

3. DURING KNEPPER'S MEETINGS WITH SIECA OFFICIALS MAY

22--23 AND IN EARLIER DISCUSSIONS BETWEEN SIECA OFFICIALS AND EMBASSY OFFICERS, IT WAS CLEAR THAT CACM SAW LITTLE BENEFIT FROM MTN AND, THEREFORE, CONTRIBUTION BY CACM WAS HIGHLY UNLIKELY. REASONS FOR THIS POSITION WERE OUTLINED IN CONSIDERABLE DETAIL IN PLENARY PRESENTATION BY SIECA DEPUTY SECRETARY GENERAL RODOLFO TREJOS.

4. REGARDING US OFFER, WHICH WHEN FOLDING IN TROPICAL PRODUCTS, AGRICULTURAL OFFER, AND JANUARY 23 INDUSTRIAL OFFER, COVERS APPROXIMATELY \$270 MILLION IN CACM EXPORTS TO THE US, TREJOS NOTED THAT DESPITE ITS GENEROSITY, SPECIAL EXPORT INTERESTS OF CACM WERE NOT TAKEN INTO ACCOUNT. TREJOS POINTED OUT THAT IN TROPICAL PRODUCTS' NEGOTIATIONS, CACM HAD REQUESTED TARIFF CONCESSIONS ON 61 PRODUCTS AND THAT THE US HAD RESPONDED TO ONLY 10 OF THESE REQUESTS. TROPICAL PRODUCTS' REQUESTS WERE RESUBMITTED UNDER GROUP AGRICULTURE PROCEDURES IN NOVEMBER 1977, BUT US AGAIN HAD BEEN UNRESPONSIVE. US OFFERS SO FAR COVERED ONLY \$34.8 MILLION OF CACM'S TROPICAL PRODUCTS/GROUP AGRICULTURE TARIFF REQUESTS.

5. TREJOS CONTRASTED US OFFER TO US REQUEST. IN TROPICAL PRODUCTS, US HAD REQUESTED TARIFF CONCESSIONS COVERING \$16.9 MILLION OF US EXPORTS TO CACM; UNDER GROUP AGRICULTURE \$16.1; AND UNDER THE INDUSTRIAL OFFER \$61.8 FOR US TARIFF CONCESSIONS FOR WHICH CACM WAS PRINCIPAL OR LIMITED OFFICIAL USE

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SUBSTANTIAL SUPPLIER. TOTAL US REQUEST OF CACM WAS, THEREFORE, ABOUT \$94.8 MILLION -- A GAP OF \$60 MILLION. IN TERMS OF US OFFER OF \$270 MILLION, US REQUEST COULD CERTAINLY BE CONSTRUED AS ADHERENCE TO TOKYO DECLARATION, BUT IN CACM'S VIEW US OFFER HAD NOT RESPONDED ADEQUATELY TO CACM'S SPECIAL EXPORT INTEREST AND US REQUEST WAS ALMOST REVERSE S&D. WHY SHOULD CACM PAY FOR US TARIFF CONCESSIONS IT HAD NOT REQUESTED?

6. SECOND CACM CONCERN VOICED BY TREJOS WAS WITH CODES. TREJOS NOTED JULY 15 DEADLINE FOR MTN CONCLUSION BUT STATED HIS OPINION THAT DEFINITIVE CODES, ESPECIALLY S&D PROVISIONS, WERE "MATERIAL IMPOSSIBILITY". HE FEARED ANOTHER REPETITION OF KENNEDY ROUND WHERE RUSH TO COMPLETE NEGOTIATIONS, WHILE RESULTING IN SUBSTANTIAL TARIFF REDUCTIONS, FAILED TO DEAL WITH TRADE PROBLEMS OF LDC'S; NAMELY S&D, NTM'S, AND LEGAL REFORM OF INTERNATIONAL TRADING SYSTEM.

7. LASTLY, TREJOS STATED THAT CACM HAD STRONG EXPECTATION OF DC IMPLEMENTATION OF PART IV OF THE GATT AND FULLFILLMENT OF DC PLEDGES TO IMPROVE THE GSP,

BROADENING PRODUCT COVERAGE, IN THE MTN, CONSOLIDATING
GSP BENEFITS (I.E. BINDINGS OF GSP RATES), AND ESTABLISH-
MENT OF CLEAR RULES FOR ADDITION AND EXCLUSNON OF PRODUCTS.

8.US DELEGATION RESPONDED ON BOTH TECHNICAL AND POLICY
LEVELS. KNEPPER OUTLINED IN CONSIDERABLE DETAIL MFN
BENEFITS OF US OFFER FOR EACH CACM MEMBER. LANDE POINTED
OUT THAT IN ACCORDANCE WITH TOKYO DECLARATION, LDC'S
WERE NOT EXPECTED TO SUBMIT INDUSTRIAL OFFER UNDER WORK-
ING HYPOTHESIS AND THAT RATHER THAN NEGOTIATE ON REQUEST/
OFFER BASIS WITH EACH PDC FOR INDUSTRIAL PRODUCTS,US
OFFER HAD BEEN INTENTIONALLY DESIGNED TO BE AS GENEROUS
AS POSSIBLE IN FACE OF US DOMESTIC SENSITIVITY. DC--
LDC TARIFF NEGOTOATIONS, THEREFORE, PROCEEDING ON A DIF-
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FERENT BASIS. THUS, THERE WAS NO REASON TO BRUSH ASIDE
MFN BENEFITS OF US OFFER. LANDE FURTHER EXPLAINED RA-
TIONAL OF US REQUEST; THAT THE US WAS OFFERING SECURE
MARKET ACCESS IN ITS OFFER AND THAT US WAS SEEKING EQUIVAL-
LENT MARKET ACCESS FOR US EXPORTERS.

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CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 /124 W
-----000290 270025Z /72

P R 262214Z MAY 78
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC PRIORITY 412
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RATHER THAN COMPARE CACM REQUESTS/OFFERS IN TERMS OF TRADE COVERAGE, LDC CONTRIBUTIONS, OR RESPONSE TO US REQUEST SHOULD BE VIEWED IN TERMS OF MARKET ACCESS. KNEPPER NOTED THAT US REQUEST WAS BASIS FOR NEGOTIATIONS AND NOT SET IN CONCRETE. IMPORTANT POINT WAS THAT CACM SHOULD RESPOND. ON GSP, LANDE NOTED THAT MFN CUTS MORE SECURE, THAT GSP IS A TEMPORARY PROGRAM. ON THE CODES, LANDE AND TREJOS AGREED THAT THESE INSTRUMENTS WERE SINGULARLY ESSENTIAL TO FUTURE TRADE LIBERALIZATION. LANDE THEN OUTLINED IN GENERAL US APPROACH TO S&D IN THE CODES, EMPHASIZING MFN BENEFITS WITH S&D BEING REALIZED IN FORM OF LESSER OR PHASED IN OBLIGATIONS. IN SUMMARY, US LOOKED FOR SPECIFIC PRODUCT CONTRIBUTIONS FROM CACM,IA COMMITMENT BY CACM MEMBER TO JOIN ALL THE CODES, AND EXPRESSED THE HOPE THAT NON-GATT CACM MEMBERS

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WOULD ACCEDE TO THE GATT AS PART OF MTN.

9. AT START OF MEETING, TREJOS NOTED THAT THIS SESSION WAS TECHNICAL AND CONSULTATIVE IN NATURE AND NOT FOR NEGOTIATING PURPOSES. AFTER BOTH SIDES HAD MADE PRESENTATIONS, LANDE ASKED THAT SINCE PROBLEMS AND DIFFERENCES IN APPROACH HAD BEEN FULLY EXPLORED AT TECHNICAL LEVEL, THAT GROUP SHOULD DECIDE ON PROGRAM OF FUTURE WORK AT GENEVA IN ORDER TO BRIDGE DIFFERENCES. SUGGESTION CAUSED SOME CONSTERNATION AND AFTER TYPICAL LATIN CAUCUS, TREJOS REAFFIRMED TECHNICAL NATURE OF THE MEETING STATING THAT US VIEWS WOULD BE PRESENTED TO CACM VICE MINISTERS MEETING ON JUNE 7--9 FOR POLICY CONSIDERATION AFTER WHICH "APPROPRIATE INSTRUCTIONS" WOULD BE ISSUED TO CACM'S GENEVA REPRESENTATIVES.

10. REMAINDER OF PLENARY SESSION WAS DEVOTED TO ANSWERING SPECIFIC QUESTIONS FROM MEMBER DELEGATIONS. QUESTION RAISED CONCERNED US MEAT IMPORTS, SUGAR TARIFFS, SELECTIVITY IN SAFEGUARDS, AND BRAZILIAN PROPOSALS FOR GATT REFORM. US DELEGATION RESPONDED IN STRAIGHTFORWARD MANNER, CLARIFYING AND EXPLAINING US POLICY IN THESE AREAS.

11. ALTHOUGH MEETING DID NOT ACCOMPLISH AS MUCH AS US SIDE HAD HOPED FOR, IT WAS A USEFUL AND VALUABLE EXERCISE. NONE OF THE CACM COUNTRY DELEGATES EXCLUDED POSSIBILITY OF PRODUCT SPECIFIC CONTRIBUTIONS IN NEAR FUTURE. AND IN PRIVATE TALKS AFTER THE PLENARY, DELEGATES FROM NICARAGUA,

NONDURAS, AND GUATEMALA EXPRESSED CONSIDERABLE UNDERSTAND
INF AND SYMPATHY FOR US POSITION; IE., THAT THE TIME HAD
COME FOR CACM MEMBER STATES TO MAKE BASIC POLITICAL DE
CISIONS ON CONTRIBUTIONS AND CODES RATHER THAN WAIT AND
MAKE CONTRIBUTIONS BASED ON MTN BENEFITS AS A WHOLE.
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12. THIS MESSAGE NOT CLEARED BY LANDE OR KNEPPER.ANDREWS

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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
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Secure: OPEN
Status: NATIVE
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TAGS: ETRD, GT, XK, MTN, CACM
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Type: TE
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